

City of Albuquerque

Office of Internal Audit

Martin J. Chavez, Mayor Interoffice Memorandum

January 8, 2003

To: Vincent E. Griego, Council President

From: Debra Yoshimura, Internal Audit Officer, Office of Internal Audit

Subject: FINAL BUDGET AUDIT REPORT NO. 03-101B, OF THE FY2003 1ST

QUARTER BUDGET

In accordance with City Ordinance 2-10-9 (B) ROA 1994, the following report is hereby submitted to the City Council. The Ordinance required the Office of Internal Audit to complete a review of the FY2003 1st quarter budget.

The attached report summarizes appropriations and projected expenditures at the program level for all of the City's operating funds. The Chief Administrative Officer's response has been included for the programs that are projected to materially overspend.

Enclosures

DDY/njt

REPORT TO

CITY COUNCIL

ON THE

CITYWIDE FISCAL YEAR 2003 FIRST QUARTER BUDGET



City of Albuquerque Office of Internal Audit

INTRODUCTION

City Ordinance 2-10-9 (B) ROA 1994 requires the Office of Internal Audit to perform a quarterly review of City expenditures and encumbrances for each fiscal year. This report is presented to the City Council to satisfy the First Quarter of Fiscal Year 2003 requirement.

Attached, please find the projections for the first quarter of fiscal year 2003. These projections were compiled by the Office of Management and Budget and were modified by the Office of Internal Audit to reflect changes as outlined in Council Bill R-02-184. For each anticipated over-expenditure in excess of \$100,000 or 5% of appropriations, we requested an explanation as to what is generating the projected over-expenditures and the measures the department is taking to resolve the anticipated over-expenditures.

The following are explanations provided by the responsible departments for programs anticipated to overspend \$100,000 or 5% of appropriations, whichever is lower.

GENERAL FUND PROGRAMS

<u>Programs 27504 and 27505</u> - AFD Fire Suppression and Paramedic Rescue are projected to overspend \$330,000 and \$177,000, respectively. AFD management reports that these two programs are projected to overspend as a result of a reliance on a FY2002 labor distribution report that contained a posting error in holiday overtime when the FY2003 budget was being constructed. AFD management has taken steps to decrease overtime by reducing temporary transfers to non-emergency programs and implementing a new sick leave management plan. AFD management reports that these efforts have decreased overtime by 24% in October of 2003. AFD management does not believe that additional appropriations will be required at this time.

<u>Program 34508</u> – Legal Department Legal Services program is projected to overspend approximately \$263,000. This is the result of additional attorneys added to the legal staff as well as unforeseen sick and vacation charges from early retirement. Legal Department management has identified approximately \$161,000 that would appropriately be charged to other City departments. However, unless additional cost saving measures can be identified, an additional appropriation of \$102,000 will be required for this program.

<u>Program 38501</u> - The Mayor's Office is projected to overspend \$103,000. The Mayor's Office reports that efforts to cut expenditures in certain programs in the CAO's Office will offset this anticipated over-expenditure. If a cleanup resolution is required, it will have no net effect on the City's General Fund.

<u>Program 51503</u> - APD Central Support Services is projected to overspend \$1,242,000. APD management reports that this over-expenditure is the result of its aging fleet and higher than expected fuel costs. Some of APD's vehicles are no longer covered under warranty and as a result, additional repair costs are now being incurred by the City. In order to correct this anticipated over-expenditure the Chief of Police has ordered fleet managers to scrutinize repairs and maintenance on vehicles. APD management reports that all repairs that affect safety will continue to be made. However, certain repairs can be delayed until funds are available. Unless additional efforts can be made, APD management believes that additional appropriations will be

required by year-end to cover this anticipated over-expenditure. However, the exact dollar amount cannot yet be determined.

<u>Program 58512</u> – Public Works Department Street Services program is projected to overspend \$153,000. Public Works Department management reports this is the result of approximately \$150,000 of repair and maintenance billings from PNM for downed streetlights. The expenditure was incurred by the City of Albuquerque in FY2002 but was not accrued and as a result, must be recorded in FY2003. Public Works Management reports that they will be able to hold existing positions vacant and potentially transfer some of these expenditures to CIP. Public Works Department management does not believe that any additional appropriations will be required for this program during FY2003.

NON-GENERAL FUND PROGRAMS

<u>Program 21503 - Fund 260</u> - Corrections/Detention program is estimated to overspend \$3,389,000. Corrections Department management reports the following reasons for this anticipated over-expenditure:

- Unbudgeted staff \$221,252
- Unforeseen capital expenditure requirements \$397,639
- Unforeseen increase in medical contract \$371,000
- Costs related to the delay of MDC opening \$1,833,684
- Unrealizable revenues related to booking fees and food vendor reimbursements - \$524,000
- Other unforeseen expenditures \$43,000

Corrections Department management reports that the City and the County have each reserved approximately \$1,000,000. Since the Corrections fund is funded primarily through General Fund transfers, approximately \$1,300,000 in additional appropriations may be needed.

Programs 59517, 59562, 59564 – Fund 621 - Public Works San Juan/Chama, Water Distribution Facility Maintenance, and Water Revenue Meter Maintenance are projected to overspend \$119,000, \$564,000, and \$223,000, respectively. The San Juan/Chama program is projected to overspend as a result of operations and maintenance costs increasing over what was originally expected from previous estimations provided by the Bureau of Reclamation. Water Distribution Facility Maintenance and Water Revenue Meter Maintenance programs are projected to overspend. Public Works Department management reported that when the FY03 budget process was taking place these programs were new, as a result, a full year's history of expenses for these programs was not available and the department relied on estimates. A cleanup resolution will be proposed in FY03 to adjust appropriations in these programs. Public Works Department management believes that there will be no net increase in appropriations for fund 621.

<u>Program 54501 – Fund 651</u> - Solid Waste Collections program is projected to overspend by \$414,000. This is the result of higher than anticipated fuel, repair and overtime costs. SWMD management reports that efforts have been made to reclassify certain positions to driver positions in order to reduce overtime expenditures. Additional cost saving measures are being considered by SWMD management. If proposed expense reductions are inadequate, a cleanup resolution will be proposed in FY03 to adjust appropriations in this program. SWMD management believes that there will be no net increase in appropriations for fund 651.

<u>Programs 57501 and 57502 – Fund 661</u> - Transit Department Sun Van and Operations programs are projected to overspend \$144,000 and \$234,000, respectively. Transit Department management reports that vacant positions within the department have generated a need for excessive overtime. In addition, increased repair and maintenance costs are being incurred. By filling vacant positions and adjusting certain running times, Transit Department management believes overtime costs will be significantly reduced and as a result, the Department will comply with the budget appropriations. It does not appear that any additional appropriations will be needed at this time.

Although many programs are in jeopardy of exceeding appropriations, most projected over-expenditures appear to be manageable. Based on information provided by the departments, it appears that three programs will likely require additional appropriations. These programs are:

<u>Department</u>	Projected Over Expenditure
Legal Department Legal Services program APD Central Support Services program Corrections Department	\$102,000 \$1,242,000 \$ <u>1,300,000</u> \$2,644,000

EXECUTIVE RESPONSE FROM THE CAO

"We concur with the 1st Quarter Projections report for FY/03 that includes actual General Fund and General Fund subsidized expenditures as of 9/30/02 as well as projections for the remainder of the fiscal year. As you are aware, the projections were developed by the Office of Management and Budget (OMB) based on historical trends, knowledge of impending actions and in consultation with department fiscal staff. On October 25, I sent a memo to Department Directors instructing them to meet with the OMB and develop a plan to address overspending. At that time I also reminded the Departments that the Mayor's policy regarding any over-expenditure by a department is clear and unwavering. The Internal Audit modifications appear only to minimally impact (over)/under spending projections in the Fire Fund and Risk Management.

You have identified three programs that will require monitoring as we move through the fiscal year. It is difficult if not impossible to project expenditures on three months of data with a high degree of certainty. In January the OMB will prepare second quarter projections based upon six months of expenditure data and this information will provide a basis for the mid-year adjustment legislation. I believe we can have a more fruitful discussion of necessary action at that time. Below are my comments on the programs you mention that are projected to have overexpenditures in excess of \$100,000 or 5% of appropriations:

"Legal Department Legal Services Program \$102,000

This program will be assisted with \$30,000 in revenues from Bernalillo County for clerical support staff services funding for the metropolitan traffic court arraignment program, per the attached MOU signed December 12, 2002. Other programs in the Legal Department are expected to revert \$5,000. The residual \$67,000 problem is approximately 1.7% of program appropriations. I will work with the department to address this issue.

"APD Central Support Services Program \$1,242,000

This program overexpenditure could be largely addressed by reappropriating the anticipated reversions within APD. After taking credit for the anticipated reversions of \$785,000 in Investigative Services and \$84,000 in Neighborhood Policing, your report anticipates an overexpenditure of \$374,000, or 1.8% of the total Central Support Services program appropriation. I will work with the department to address this issue.

Corrections Department \$1,300,000

I believe that the second quarter projections will reflect a larger need for supplemental appropriations than is reflected in this report. The primary action anticipated in the mid-year adjustments bill will be to shift funding from other city departments to Corrections. While we are making every effort to minimize spending, delays in moving into the MDC have produced unbudgeted costs for the department. There are still numerous uncertainties including the processing center, move-in completion schedules, etc. Together we must work with the County as well as the department to address this issue."

ALILLO

MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF ALBUQUERQUE AND COUNTY OF BERNALILLO FOR CLERICAL SUPPORT ST AFF SERVICES FUNDING FOR THE METROPOLITAN TRAFFIC COURT ARRAIGNMENT PROGRAM

On or about July 14, 2002, the Metropolitan Court established the Metropolitan Traffic Court Arraignment Program. The Traffic Court Arraignment Program was established with the cooperation of the Metropolitan Court, the Bernalillo County Sheriff's Department, the Albuquerque Police Department, the Bernalillo County District Attorney's office and the City of Albuquerque's Legal Department. The purpose of the Traffic Court Arraignment Program is to schedule all Traffic Court Arraignments at the time a traffic citation is issued to a driver. Arraignments are scheduled before a single judge. The Bernalillo County District Attorney's Office has appointed as Special Prosecutors, Assistant City Attorneys to conduct all the arraignments thereby negating any need for Sheriff's deputies or Albuquerque police officers to attend the arraignments. The City of Albuquerque Legal Department provides the services of three (3) Assistant City Attorneys and clerical support staff services. The Assistant City Attorneys appointed as Special Prosecutors handle all arraignments and negotiate plea and disposition agreements on all traffic court citations issued by Sheriff's Deputies and Albuquerque Police Officers. The City of Albuquerque is in need of funding for the clerical support for the Traffic Court Arraignment Program. The County of Bernalillo, by execution of this Memorandum of Understanding, has agreed to provide the sum of Thirty Thousand Dollars (\$30,000.00) to the City of Albuquerque for funding of the clerical support staff assigned to the Metropolitan Court Arraignment Program.

With the full implementation of the Metropolitan Traffic Court Arraignment Program, the County of Bernalillo hereby agrees to make payment in the sum of Thirty Thousand Dollars (\$30,000.00), with said amount to be applied and allocated to the City of Albuquerque Legal Department for clerical services. The term of this Memorandum of Understanding shall be terminated in writing by either party and is subject to yearly review by the parties.

LEGAL DEPARTMENT	COUNTY OF BERN
Robert M. White, City Attorney	Juan Vigil County Manager
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Jay Czar	
Chief Administrative Officer	
DATE:	

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